

# M e m o r a n d u m

To: Panel Members

Date: 9/25/2003

From: Diana Torres, Manager

Analyst: J. Davey

Subject: One-Step Agreement for **GKN Aerospace Chem-tronics, Inc.**

## **CONTRACTOR:**

- Training Project Profile: Retraining: companies w/out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
  - *Worldwide:* 36,000
  - *In California:* 990
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$331,500
- Substantial Contribution: \$0
- Total ETP Funding: \$331,500
- Total In-kind Contribution: \$778,083
  - *Trainee Wages Paid During Training:* \$778,083
  - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange, San Diego

## **INTRODUCTION:**

GKN Aerospace Chem-tronics, Inc., is a first-tier manufacturer/supplier to aircraft and aero engine manufacturers. GKN Aerospace Chem-tronics (Chem-tronics) is eligible for funding under the out-of-state competition provisions outlined in Title 22, California Code of Regulations, Section 4416(b) for companies classified as manufacturers retraining current employees. Chem-tronics proposes to retrain 510 current employees in the skills to move the company to a high performance workplace.

## **MEETING ETP GOALS AND OBJECTIVES:**

Chem-tronics proposes training that will further the following ETP goals and objectives:

- 1) Training is targeted to meet the needs for a skilled workforce in the manufacturing industry. Chem-tronics faces strong competition from overseas and other states for its products. Thus, this project meets ETP's legislative mandate to foster job retention in industries threatened by out-of-state competition.
- 2) Ensure that ETP funds are invested in projects that target high-wage jobs with above average salary increases and above average retention. According to the proposed Contractor, Chem-tronics is a major employer in the aerospace manufacturing industry that provides high wage, long-term employment in San Diego County.

## **TRAINING PLAN TABLE:**

<b>Grp/Trainee Type</b>	<b>Types Of Training</b>	<b>No. Retain</b>	<b>No. Class/Lab Videocnf. Hrs.</b>	<b>No. CBT Hrs.</b>	<b>Cost Per Trainee</b>	<b>Hourly Wage After 90 Days</b>
Job Number 1 Retrainee	Menu: Business Skills Computer Skills Continuous Improvement Skills Manufacturing Skills	510	24 – 100	0	Average cost per trainee: \$650	*\$11.18 – \$62.92
					<b><u>Prevalent Hourly Wage</u></b> \$24.58	

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					<b><u>Average Cost Per Trainee</u></b>	
					\$650	
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b>					<b><u>Turnover Rate</u></b>	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b>
* Health Benefits between \$.50 and \$ 2.49 per hour will be applied to the base wage in order to meet the ETP minimum hourly wage requirement.					9.36%	20%
<b><u>Other Employee Benefits:</u></b>						
In addition to health, dental and vision, Chem-tronics offers the following fringe benefits: 1) Pension plan based on years of service; 2) 50 percent match on 401k contributions up to 6 percent of wages; 3) Tuition reimbursement of up to \$2,500 a year; 4) 12 paid holidays; 5) Company paid life insurance; 6) Company paid short and long term disability (in addition to State paid); 7) Employee assistance program; and, 8) Discounts on computer and auto purchases.						

## **COMMENTS / ISSUES:**

### ➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22, California Code of Regulations (CCR), Section 4400(ee). Managers will also participate in training; however, Chem-tronics states that no senior level managers who set company policy are included in the proposal.

### ➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services that will ultimately be sold.

### ➤ ***Repeat Contractor***

The proposed Contractor is a repeat Contractor, but is not subject to the substantial contribution requirement because it has received ETP funding in only one previous Agreement within the last five years for less than \$250,000.

### **PROPOSED ACTION:**

Staff recommends that the Panel approve the Agreement if funding is available and the project meets the Panel priorities.

### **NARRATIVE:**

GKN Aerospace Chem-Tronics, Inc., (Chem-tronics) designs and builds major components for jet engines for both commercial and military applications. The company also repairs and reforms large titanium fan blades for jet engines for the aviation industry. Chem-tronics recently purchased Astech Manufacturing (now known as GKN Astech Manufacturing) in Santa Ana and will include some of the 140 employees of that company in this training plan. GKN Astech manufactures welded honeycomb sandwich structures used for commercial jet engine exhaust systems.

Due to increased competition from Original Equipment Manufacturers (OEMs), such as Pratt and Whitney, Rolls Royce, General Electric, and internal airline repair facilities, it is critical that Chem-tronics maintain the highest quality standards and competitive turnaround time to remain viable in the world marketplace. In addition, the airline industry in general has experienced weak economic activity in the aftermath of September 11, 2001 and a decrease in overall travel. To remain competitive, the company must upgrade its obsolete Manufacturing Resource Planning (MRP) system to an Enterprise Resource Planning system (ERP).

According to the proposed Contractor, in order to become more up-to-date with existing hardware and software standards, Chem-tronics has purchased and installed a new ERP system called Compass Contract. The new system integrates a variety of aviation repair, quality engineering, procurement, reporting, and management software requirement capabilities that the existing software does not. The new ERP system will improve efficiency and reduce costs, thereby giving Chem-tronics a competitive advantage in the aerospace and airline industry.

In addition, the new system will require everyone in the organization to re-learn how to perform his or her job functions in conjunction with the new system. Therefore, Chem-tronics will also train its current workforce in business skills, continuous improvement skills, and manufacturing skills to assist the company in transforming to a high performance workplace to increase accuracy and efficiency and reduce costs.

According to company representatives, Chem-tronics plans to retrain 510 of its current workforce across all sectors of the company in a menu curriculum consisting of computer skills training in ERP for engineering, management, manufacturing, quality, and materials planning trainees. Trainees will receive specific training on the new system designed according to their job function: capacity planning, inventory, work orders, general ledger, and cost accounting.

Managers, directors, team leaders, and coordinators will receive training in business skills to support the organizational changes that the new ERP system requires. Topics will include Leading and Managing Change, Coaching Skills, and Delegation.

Production employees will receive training in shop floor skills in topics such as geometric dimensioning and tolerancing, measurement tools, and process improvement. Machine operators and maintenance staff will receive training in MAXIMO<sup>®</sup>, a machine maintenance software.

## **NARRATIVE CONTINUED:**

### ***Supplemental Nature of Training***

Panel Legislation requires ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded training programs. The proposed Contractor reports that it has provided a variety of internal and external training for its employees in the past, including basic lean manufacturing principles, six sigma (for selected employees), customer service and sales training, as well as computer skills on an as-needed basis. The Core Team has also received extensive training in the new ERP system.

In addition, Chem-tronics has received ETP funding in a past Agreement to retrain workers in many of the skills described above. However, this proposal is focused on training current staff on the new ERP system. Because the new system will eventually require nearly the entire workforce to be trained, Chem-tronics does not have the resources to provide the training on its own. Furthermore, the business, continuous improvement, and manufacturing skills are designed to support the ERP system and have not been provided to as many employees as the company would be able to without ETP funding.

Chem-tronics states that it plans to continue providing training for its employees after the ETP-funded training. In the two-year period following the completion of ETP-funded training, it will provide new hire training for new employees, six sigma training for selected trainees, communication skills, supervisory skills, safety training, and basic lean manufacturing training. Projected expenditures for the above training are expected to be approximately \$400,000 per year.

## **SUBCONTRACTORS:**

California Training Cooperative (Irvine, California) – amount to be determined - training and a portion of administration.

## **THIRD PARTY SERVICES:**

California Training Cooperative assisted with the Application, and helped prepare the Training Plan, Curriculum, and Retraining Certification. The amount reimbursed for these services is a fee of \$8,500, based on a rate of \$90.00 per hour.

## **PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS				
Agreement Number	Location (City)	% Earned	<i>Planned</i> In-kind Contribution	<i>Reported</i> In-kind Contribution
ET00-0339	El Cajon	16.5%	\$661,641	*\$109,171
ET8 -0635	El Cajon	0%	N/A	**N/A

\* ET00-0339: Based on wages paid to trainees while in training and trainer costs, Chem-tronics estimates that its in-kind contribution was consistent with the percentage of the training plan that was performed.

\*\* ET8-0635: Training did not commence on this Agreement. Therefore, there was no employer contribution.

Class/Lab Hours

Computer Skills

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24 - 100

Enterprise Resource Planning – Compass Contract

- System Overview
- Planning Workbench
- Capacity Workbench
- Bill Of Materials (BOM) Workbench
- Budgeting Workbench
- Accounts Payable
- Accounts Receivable
- Cost Accounting
- Contracts Management
- Engineering
- Inventory
- Material Resource Planning (MRP)
- Work Orders
- Purchasing
- General Ledger
- Order Entry

TIP QA – Enterprise Quality Management

- Nonconformance
- Receiving Inspection
- Corrective Action
- In Process Inspection
- Access Control
- Supplier Rating
- Audit Management
- Gage & Tool
- Statistical Process

KCI Management and Reporting

- Reporting
- Modeling
- Queries
- Forecasting
- Budgeting

Oracle – Database Management

- Forms/Reporting
- Database
- Application

## Computer Skills (continued)

### NWP – Network Procurement

- Contract Order Entry
- BOM Creation & Sign Off
- Scheduling/Purchasing
- Requisition
- Approvals
- Contracts
- Supplier Approval
- Supplier Certification/Rating

## Continuous Improvement

### Facilitation Skills

- The Learning Process
- Planning a Session
- Scheduling Sessions
- Conducting Sessions
- Effective Presentations
- Evaluating Sessions

### Process/Problem Solving Skills

- Process Maturity
- Meeting Management
- Collecting and Using Data
- Root Cause Analysis
- Decision Making
- Process Management
- Process/Value Stream Mapping
- Kan Ban/Flow

## Business Skills

### Leading Change

- Leadership and Change
- Importance of Involvement
- Action Planning
- Creating an Environment of Trust & Learning
- Helping Others Through the Change Process
- Understanding & Managing Resistance



## Business Skills (continued)

### Managing Change

- The Dynamics of Change
- Normal Reactions to Change
- Elements of Successful Change
- Motivation in Times of Change

### Change Management for Supervisors

- Coaching Skills
- Performance Management
- Delegation
- Time Management
- Tactics for Reducing Resistance
- Gaining and Building Commitment
- Strategy for Improving Performance
- Strategies for Dealing with Conflict

## Manufacturing Skills

### Shop Floor Skills

- Shop Floor Math/Measurements
- Process Skills
- Geometric Dimensions & Tolerancing
- Cross Functional Work Skills

### MAXIMO II

- Maintenance Tracking
- Work Orders
- Machine Allocation
- Asset Utilization
- Total Productive Maintenance
- AQS – Advance Quality Systems
- Data Analysis
- Measurement Tools